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EX PARTE PRESENTATION

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

March 3, 1999

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 96-262

Dear Ms. Salas:

On March 2, 1999, Jay Keithley, Jim Sichter, Joni Siplon and I, on behalf of Sprint Corporation, met with Tamara Preiss, Jay Atkinson, Ed Krachner, Florence Setzer and Steve Spaeth of the Common Carrier Bureau's Competitive Pricing Division, to discuss issues relating to LEC pricing flexibility. Sprint discussed points shown on the attached presentation.

An original and one copy of this letter are being filed.

Sincerely,

Attachment

c: (w/o attachment):
Tamara Preiss
Jay Atkinson
Ed Krachner
Florence Setzer
Steve Spaeth

No. of Copies rec'd
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bc: Jay Keithley
Jim Sichter
Joni Siplon



Pricing Flexibility for Local Exchange Carriers

**Presentation to Competitive
Pricing Division**

March 2, 1999

ILEC Pricing Flexibility

- ILECs request for non-dominant status is premature and should not be granted until sufficient competition has developed in local and access market.
- ILECs retain tremendous market power. ILECs receive over 97% of all access payments within their territory.

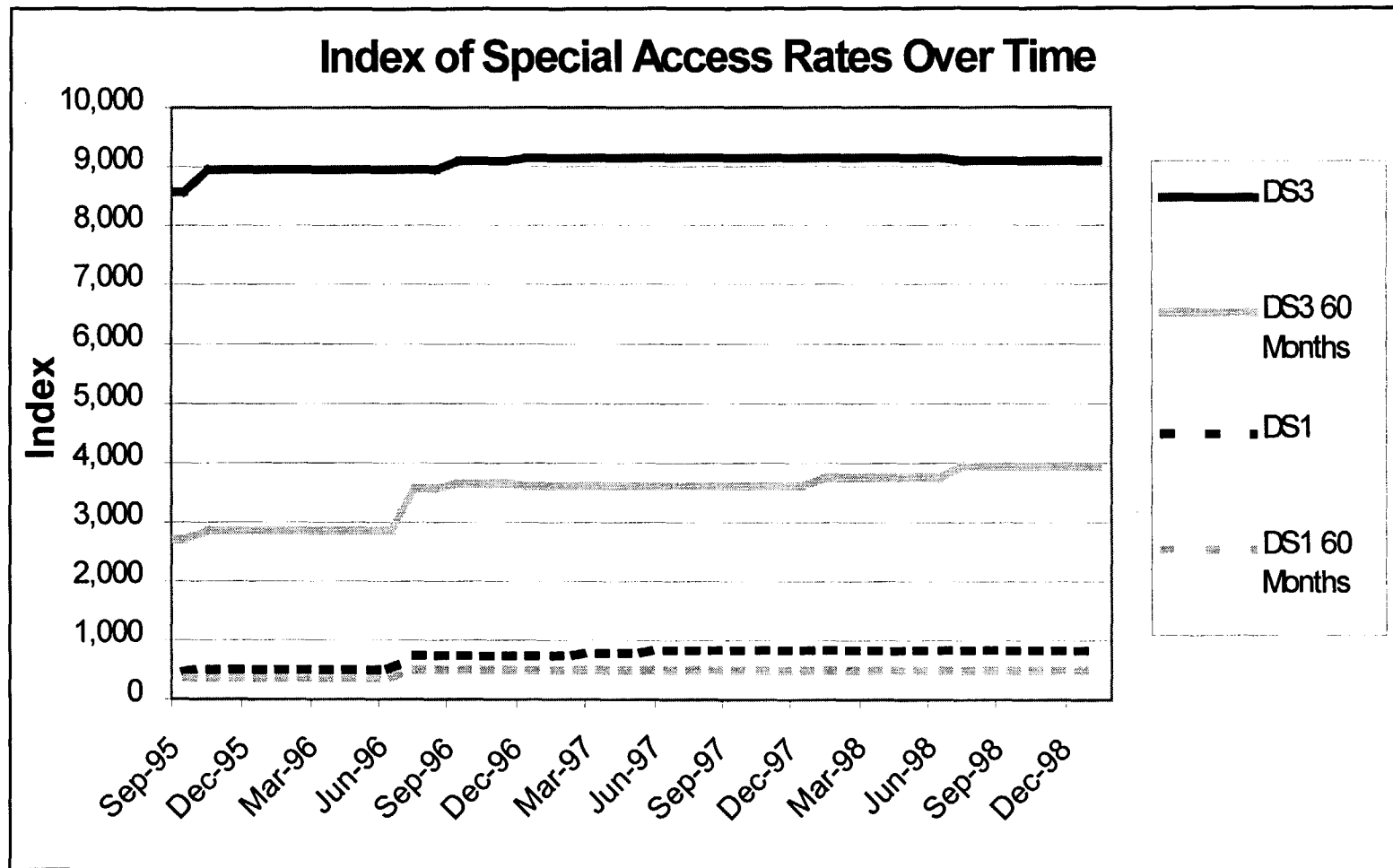
ILEC Pricing Flexibility

- Some limited competition has developed from CLECs and CAPs for interoffice transport in high density areas, however, ILECs maintain a virtual monopoly on connections to end users.
- ILECs maintain monopoly control over switched access services such as local switching. Less than 1% of Sprint's switched access expense is paid to competitive access providers.

ILEC Pricing Flexibility

- Competition for interoffice transport is still in the early stages and not sufficient to exert downward pressure on prices.
- ILEC pricing behavior reflects their dominant market presence.
 - Price Cap LECs have less than 1% headroom in Trunking basket, indicating prices are at or near cap.
 - Over the past several years, special access prices have not declined and in some instances have increased, indicating lack of competitive pressure on prices.

ILEC Pricing Flexibility



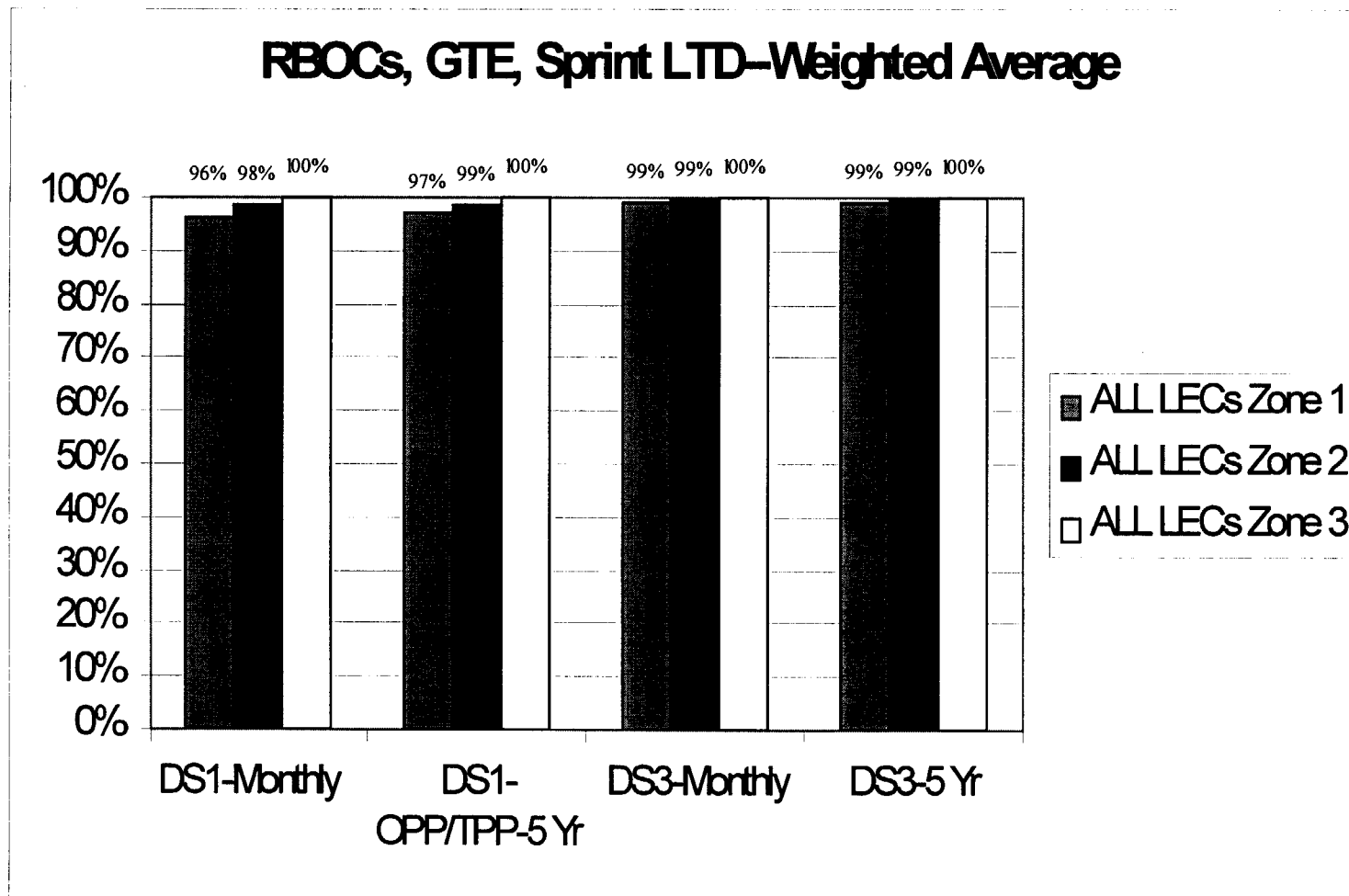
ILEC Pricing Flexibility

- Competition for interoffice facilities has not fully developed for a number of reasons:
 - CAP coverage is not ubiquitous
 - Quality of service issues
 - ILEC Termination liabilities
 - High Non-recurring charges

ILEC Pricing Flexibility

- ILECs currently have access to adequate pricing flexibility mechanisms such as zone density pricing and price cap filings.
- Zone density pricing was implemented to address early stages of competition, yet many ILECs have not implemented this pricing option.
- When zone density pricing is used, price variance between zones is minimal.

ILEC Pricing Flexibility



ILEC Pricing Flexibility

■ Sprint's Proposal

- While Sprint encourages the ILECs to take greater advantage of the pricing flexibility they currently enjoy, Sprint also recognizes that additional competitive pressures are likely to exert themselves on the ILECs over time. Therefore Sprint supports, with proper safeguards, additional pricing flexibility.**

ILEC Pricing Flexibility

- Sprint's proposal:
- 1. Expand use of zone density pricing.
 - Allow ILECs to implement additional zones and to establish cost based prices in all zones.
 - Expand concept and use of zone density pricing to switched access elements.

ILEC Pricing Flexibility

- 2. With proper safeguards, allow additional pricing flexibility in zone 1 offices for DS1 services.
 - Establish customer bandwidth segments in which ILEC could provide discounts off full tariff price.
 - | Example, any customer within ILEC territory purchasing 0 - 100 DS1s would be eligible for x% discount. A customer who purchases 101 to 200 DS1s would be eligible for x+y% discount.

ILEC Pricing Flexibility

- Safeguards for additional pricing flexibility.
 - In order to prevent discrimination, ILEC would have to make the same application and rates available to wholesale customers.
 - ILECs would be released from providing cost support but other tariff standards would apply.
 - Affiliate nondiscrimination safeguards would be interpreted to mean that an ILEC affiliate could not purchase a tariffed service at a cost below that of the industry average.